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WEST BERKELEY REDEVELOPMENT PROJECT
FEASIBILITY STUDY

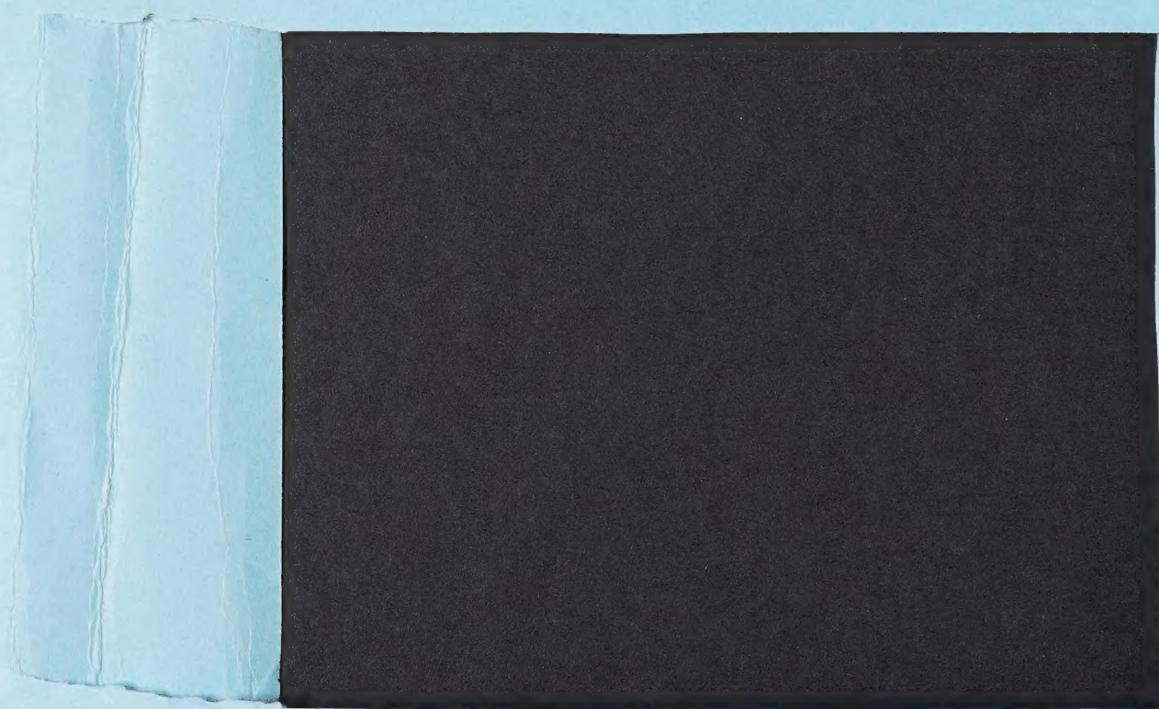
EXECUTIVE SUMMARY

Prepared for: Berkeley Redevelopment
Agency
Forrest Craven
Acting Executive Officer

Prepared by : Carl Anthony
Virgus Streets

August 30, 1981

Community Development Associates



Community Development Associates
1288 Carlotta Avenue
Berkeley, California 94707
415 / 526-0368


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Community Development Associates

1288 Carlotta Avenue
Berkeley, California 94707
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September 1, 1981

Mr. Forrest Craven
Acting Executive Officer
Berkeley Redevelopment Agency
2180 Milvia Street
Berkeley, California

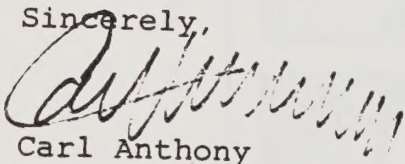
Dear Forrest,

We are submitting herewith the Executive Summary of the West Berkeley Redevelopment Project Feasibility Study. The extensive documentation which forms the background to this summary will be forwarded to you under a separate cover.

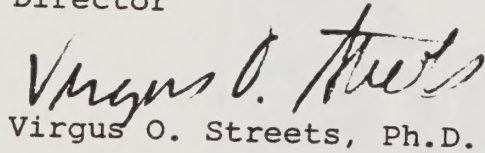
The study has confirmed that the sense goals adopted by the Redevelopment Agency July 15, 1981 are socially, physically and economically feasible, and represent a rare opportunity for the City to build new affordable housing of landmark design.

We have very much enjoyed working with the City on this project.

Sincerely,



Carl Anthony
Director

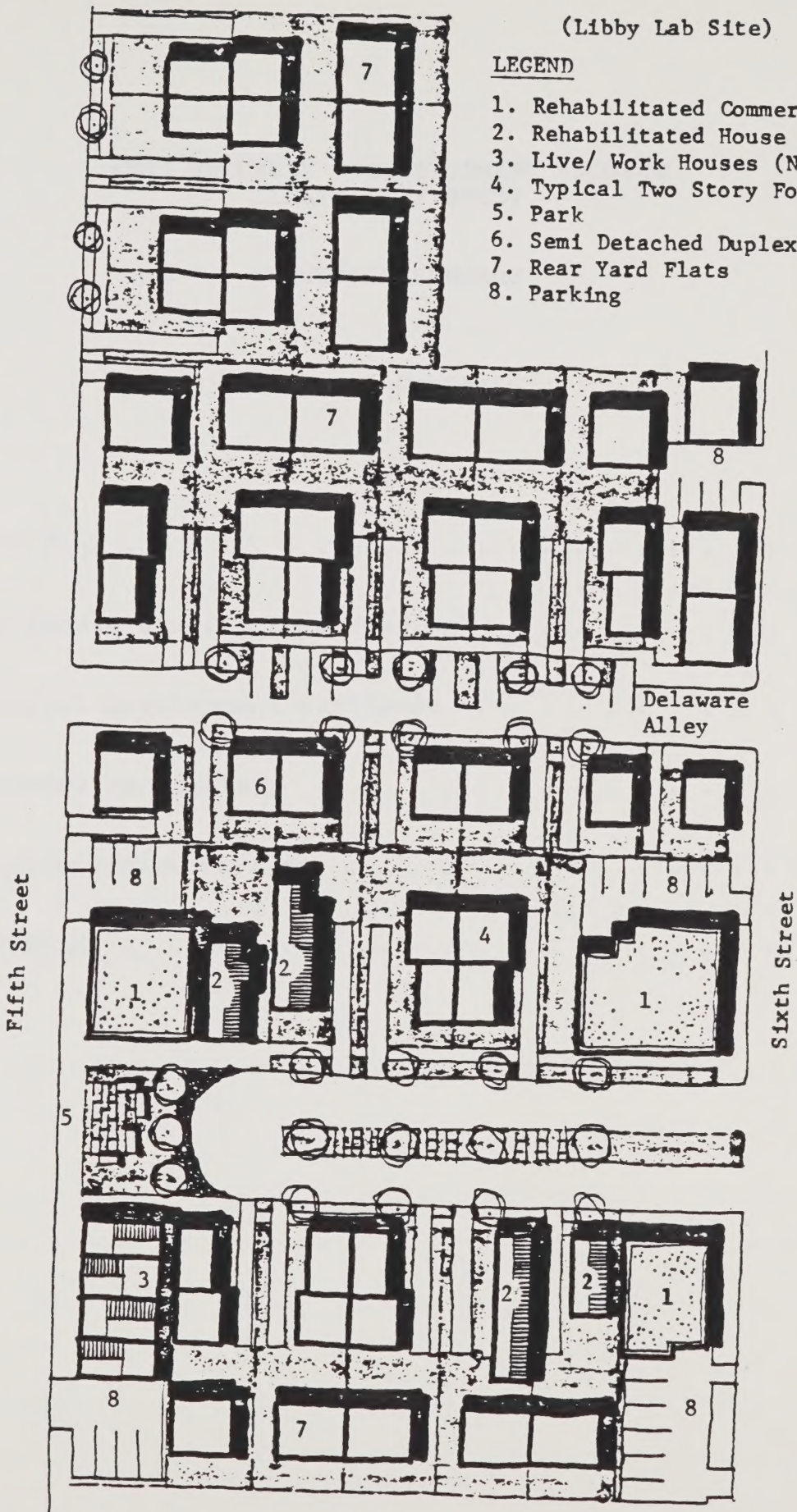

Virgus O. Streets, Ph.D.

CA/VOS:glr

(Libby Lab Site)

LEGEND

1. Rehabilitated Commercial Structure
2. Rehabilitated House
3. Live/ Work Houses (New)
4. Typical Two Story Fourplex
5. Park
6. Semi Detached Duplex
7. Rear Yard Flats
8. Parking



RECOMMENDED SITE PLAN FOR
THE "A" ZONE SUPER BLOCK

80 Units

i



WEST BERKELEY REDEVELOPMENT PROJECT
FEASIBILITY STUDY

EXECUTIVE SUMMARY

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WEST BERKELEY REDEVELOPMENT PROJECT
FEASIBILITY STUDY

Prepared by
Community Development Associates

EXECUTIVE SUMMARY

An opportunity exists to create between 100 and 150 units of housing on the West Berkeley Redevelopment Project Area Site. One hundred or more units could be assisted new constructions; at least 20 existing structures can be rehabilitated.

Arguments for seizing upon this opportunity are persuasive and compelling: There is an extreme need for it; the law requires it; and, it is physically, socially, economically feasible. What is needed to make it happen is political and public responsiveness, commitment and responsibility.

A. Who Should Benefit from these Opportunities and How are they to be Distributed?

"Fair Share" principles could govern the manner in which these new public supported housing benefits are distributed. Berkeley has a legal responsibility to plan the provision by 1985 of approximately 9,572 new housing constructions if it is to be responsive to and responsible for its regional share of the housing needs of low- and moderate-income households. 3,200 rehabilitations are also needed.

Extending fair share allocation principles from region to locality, and from locality to neighborhoods, the West Berkeley "fair share" of Berkeley's regional responsibility is 479 new constructions and 160 rehabilitations. Based on the need that exists in Census Tracts 4221 and 4232--which encompass the West Berkeley Area--the percentage of the population to be served is twice the percentage of regional fair share.

1. Household Income Priority

Very low-income households should receive a minimum of 38 of 100 housing opportunities in terms of the extent of their need and following the principle of "the first to the most needy." The remainder of the units should be for low-, low-moderate and market-rate households. CHFA support for rental construction assistance requires 30 of 100 units for low-income households, 20 of which should be for very low-income households.

2. Household Type Priority

Family households with children and other dependent members should be the primary beneficiaries of the housing opportunities produced by the Project. Other dependent member-households include those having elderly and handicapped members in them. State HCD recommends 9% of total units in assisted developments be for elderly and handicapped.

3. Household Size Priority

According to need, the household size (and, in turn, housing unit size) should be 38% for households having 1 to 2 members; 30% for 3 to 4 member households and about 12% for larger households. An optimum distribution for subsidy feasibility is 20% to 50% and 30%, respectively.

4. Occupancy/Tenancy Objectives

The objective of the Development should be first to create to the maximum degree feasible, long-term affordable housing accommodations for households in need of housing assistance. Achieving that, the creation of opportunities, and the creditability of needy households, the equity will of necessity be limited. Coinvestment mechanisms, including equity sharing and, perhaps, sweat equity arrangements with state and local housing finance entities, and with private investors, are recommended to provide the necessary financing and contractual binding. Approximately 30% of the housing opportunities created in the West Berkeley Redevelopment Project should be reserved long term, affordable home ownership for lower moderate-income families; 20% of the units should be reserved as rental units for very low-income families. The remaining 50% of the units should be developed as a limited equity cooperative.

B. Physical Development Standards

The need for housing development, however compelling, exceeds the capacity of the project area to absorb it without causing a drastic change in the pattern of residential use in the surrounding neighborhood. Therefore, to maximize housing development and to protect the neighborhood, physical development guidelines specifying density, automobile and pedestrian patterns, site layout housetypes, mixed use and historic preservation standards are recommended.

1. Density of Development

The total capacity of Agency-owned sites to accommodate a housing development compatible with the mixed use character of the neighborhood is approximately 110 units.

2. Vehicular and Pedestrian Space

Delaware Street should be closed to through traffic. A small park should be constructed at Delaware and Fifth as a buffer and a shared amenity between the industrial and residential neighborhoods. In order to promote safety and residential vitality, and multiple use of open space, off street parking adjacent to each dwelling unit, is preferred over large parking lots. Shared automobile and pedestrian spaces are recommended.

3. Defensible Space and Human Scale

Site planning and design should take into consideration maintenance and security, and provide clear differentiation between public, semi-public and private outdoor space. Units of the development should be oriented toward public streets. Strong visual, spatial and pedestrian links to the surrounding residential neighborhood are required.

4. Dwelling Unit Types

The development should include rehabilitated units, as well as a variety of house types among the newly constructed ones. Row houses, walk-ups and semi-detached duplexes and fourplexes should be part of the development.

5. Mixed Use Development

Commercial development should be restricted to between 7.5% and 15% of the remaining 6.5 acres of Agency-owned land. Neighborhood retail uses are economically infeasible and should be avoided. Professional offices are compatible with the neighborhood. Where possible, combine restricted commercial development with housing. There are ample public facilities in the neighborhood. Except for provisions for child care and laundry, community meeting spaces are not required.

6. Historic Preservation and Rehabilitation of Houses

Twenty of thirty structures owned by the Redevelopment Agency can be rehabilitated. These include all five of the

houses eligible for the National Registry of Historic Places. Rehabilitation of three of eight structures in the Historic District may be infeasible. Final evaluation of the feasibility of rehabilitating these structures requires work writeups for individual buildings and more detailed site planning site studies.

C. Economic Feasibility

Several conditions must be satisfied in order for the housing development proposed herein to meet the test of economic feasibility. The housing must be affordable to low-income households. It must generate a stream of income over the term of its mortgage which equals, or is greater than, its operating expenses. The development's market value must be 115% or more of its permanent mortgage requirements. An occupancy level must be maintained throughout the terms sufficient to amortize the permanent mortgage. Tax revenues generated by the development must be in direct proportion to the costs the City will incur in servicing it; it must carry its own service costs in other words.

1. Affordability

Housing costs affordable to low-income households in and around the project area amount to approximately forty percent (40%) of debt service for replacement costs. Households eligible for occupancy in the development on the basis of income

will require substantial assistance. The most substantial federal housing assistance program for low-income households is the Section 8 program. Fair Market Rents for Section 8 subsidies can debt service a \$100,000 mortgage at 16% interest in thirty years. Under current market conditions and construction costs, \$100,000 will purchase 1,133 square feet of newly constructed space. A typical 1,133 square foot house on a 6,000 square foot lot in Berkeley has a market value of \$120,000 or more in 1981. A 6,000 square foot vacant lot zoned for single-family residential use will sell for in excess of \$30,000 today in Berkeley. Purchased on the market, such a unit would require an annual income of approximately \$49,000.

2. Demand for Housing at Fair Market Rents

Fair market rents in the six-county area for a three bedroom semi-detached (row) house is \$1,358 per month as of March 1981. In and around the project area there are approximately eight hundred households who meet the income and household size requirements for eligibility for a three bedroom unit under Section 8 subsidy requirements. In all of Berkeley, there are ten times that number of households. There are more than eleven thousand households in Berkeley in 1981 who make in excess of \$49,000 annually. These households would find an opportunity to live in a newly constructed three bedroom house costing them 25% per month of their income very attractive. Such households are currently paying 35% of their income for housing. There are

many more households like them willing to move to Berkeley, if immigration trends to Berkeley over the past ten years continues. Therefore, the demand for housing by market rate and below-market rate households in Berkeley is high enough to ensure that the mortgage to value ratio requirements for financial feasibility are met.

3. Taxes at Fair Market Value

Taxes on \$100,000 of fair market value housing space in Berkeley are about \$1,012 per year, roughly \$84 per month. Total housing costs on a unit having replacement costs of \$100,000 are about \$1,546 per month. In short, rents affordable to unassisted low-income eligibles will defray only thirty-five percent of total housing costs having replacement costs of \$100,000 in Berkeley. The financial feasibility of a development proposal involving per unit costs of \$100,000 is measured by the soundness of the mechanism by which low-income rents can be supplemented to make up the short fall. Roughly \$1,000 per month per household of additional housing assistance is needed to make the proposal housing development financially feasible.

4. Financial Feasibility

The financial analysis summarized in the tables below establishes the financial feasibility of the proposed housing development plan. The plan combines Section 8 new construction and substantial rehabilitation housing assistance payments,

CHFA construction financing between zero and ten percent, CHFA permanent mortgage insurance at 12%, land writedowns of 100% of land price at fair market value, and a limited dividend limited partnerships development syndicate which can attract equity/tax shelter investors.

Total development costs are derived from estimates of new construction and rehabilitation costs, site value estimates, site improvement costs and developer charges. Carrying costs--interest and amortization--are added to other operating costs including maintenance, replacement reserves, taxes and insurance to estimate annual operating expenses. Section 8 Fair Market rent schedules for semi-detached housing of different bedroom sizes and unit floor areas are used to estimate annual income. Aggregate annual income is then compared to annual operating expenses to determine the project's financial feasibility.

5. Assumptions

The economic and financial assumptions on which the development plan is based are valid, the proposed development is deemed feasible. The economic and financial assumptions are:

- That there are more than 1,000 households in and around the project area who are in need of and are eligible for federal and State housing assistance. Therefore, vacancies in the assisted units in the development should be less than 5%.
- Demand for the kind of units proposed in the development exceeds, and will continue to exceed over the next five or more years, the supply. The resale value of the development, therefore, will sufficiently mitigate any risks associated with potential defaults. The market,

in other words, can absorb any of the units that might come under default in the foreseeable future.

- Rents for comparable housing space, are equal to or or greater than Fair Market Rents for Alameda County. The financial plan, therefore, will be acceptable to HUD and CHFA, and local home finance institutions. Section 8 and CHFA subsidies, therefore, should be forthcoming.
- The City of Berkeley--specifically the Redevelopment Agency, will "write down" the sales price of the site 100%. In addition, Community Development Block Grant Funds amounting to \$500,000 will be available for the development over a five-year period.
- The financial structure of the development, particularly the structure of the proposed syndicate, will generate enough leverage to produce an income reserve of amounts sufficient to render any risk factor benign.

Development Costs, Operating Expenses, and Income

(a) MARKET SALES PRICE OF A HOUSING DEVELOPMENT OF 125 UNITS

	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom	TOTAL
Square Feet	580	880	1,180	1,480	
Construction Cost - \$44.05/S.F.	25,549	38,764	51,979	65,194	
Sales Price of Improvements					
Per Unit	40,077	60,806	81,536	102,265	
Sales Price Unit	50,096	76,008	101,920	127,831	
Number of Units	20	50	16	14	

(b) <u>TOTAL DEVELOPMENT COSTS (\$000's)</u>	<u>\$10,010</u>
Land and Site Improvement Costs	2,402
Total Construction Costs	5,105
Community Amenities	300
Developer Financing	601
Developer Overhead and Marketing	701
Developer Profit	901

(c) <u>DEBT SERVICE</u>	<u>(ANNUAL)</u>	<u>(\$000's)</u>
*(B.1) Debt Service Subtotals at 16%; 30 years		1,615
** (B.2) Debt Service Subtotals at 12%; 30 years		1,234

<u>OPERATING EXPENSES</u>	<u>210</u>
Administrative Expenses	15
Repair and Maintenance	32
Taxes and Insurance	131
Replacement Reserve	32

(d) <u>ANNUAL INCOME FROM SECTION 8/CHFA SUBSIDY (\$000's)</u>	<u>1,538</u>
--	--------------

New Constructions

20	1 Bedroom Units	197
50	2 Bedroom Units	587
16	3 Bedroom Units	217
14	4 Bedroom Units	204

Rehabilitations

2	1 Bedroom Units	20
15	2 Bedroom Units	176
8	3 Bedroom Units	117

(e) INCOME MINUS OPERATING EXPENSES (\$000's)

- * At Debt Service (B.1) = \$1,478 - \$1,825 = - \$347: infeasible
 ** At Debt Service (B.2) = \$1,478 - \$1,444 = + \$ 34: feasible

D. Project Implementation

1. Development Components

The West Berkeley Redevelopment Project should be implemented through four development components. The components vary in scope complexity and potential impact on the completion of the overall Project. These components are as follows:

- Houses in the "D" Zone

Three almost contiguous parcels in the "D" zone contain 12 Agency-owned houses, and a vacant site for moving an additional dwelling. These houses should be disposed of under a homeownership, equity sharing plan, financed by a local credit agreement, with deed restrictions to promote long-term affordability. Existing residents should be given the right of first refusal.

- "A" Zone Superblock

The Delaware and South of Libby sites comprises 6.5 acres in Zone "A". These sites should be developed as a single parcel. The building program should include the following: rehabilitation of 4 to 7 of 9 existing dwellings on the site, rehabilitation of three commercial structures on the site as professional offices or work places with a city-wide trade area; new construction of approximately seventy family units; and new construction of four live-work units facing Fifth Street as a buffer between the industrial and residential area. The site can be developed

as a limited equity cooperative or broken into smaller parcels which would include homewonership and rental housing.

- Sixth and Hearst Street Site

This 28,000-square foot parcel on the northwest corner should be cleared for 17 units of new family housing. First priority should go to securing financing public housing on this site. The second priority should be securing Section 8 financing for rental housing. The third priority for this site is a homeownership program for lower-moderate-income families.

- Remaining Agency-Owned Parcels

The remaining 25,000 square feet of Agency-owned land consists of four scattered sites: the Walker house at 1610 Sixth Street, eligible for the National Register of Historic Places; a Pioneer Victorian at 1812 Sixth Street eligible for the National Register of Historic Places; A Queen Anne Victorian at 833 Hearst Street, eligible for the National Register of Historic Places; the Ghego House at 1809/11 Fourth Street, eligible for the National Register of Historic Places, and an adjacent vacant lot of 12,500 square feet. All houses are suitable for residential rehabilitation and reuse. The Walker house at 1610 Sixth, and the Queen Anne at 733 Hearst Street can be adapted to commercial use without destroying their architectural integrity. The disposition of these four parcels should be considered after the first three development components are implemented.

2. Development Schedule

Each component will be implemented in three phases: pre-development, design and construction, leasing or sale. In each case, the predevelopment phase will involve program refinement, securing of financing, preparation of a bid package, selection of a developer. The attached schedule presents a recommended implementation program, suggesting the approximate ordering of tasks, and the work sequence.

3. Development Entities

Among the range of development approaches that can produce the new housing units, non-profit sponsors and limited dividend corporation sponsorship appear to be the most viable. A joint-venture approach between non-profit sponsors and community-based developers as general partners, and tax-shelter seeking equity investors as limited partners, combine both approaches under one development entity.

4. Developer Selection

Requests should be made for proposals to develop these housing opportunities according to previously established development criteria and building standards. Potentially eligible households, or their proxy representatives, should participate in the developer selection process.

The BRA staff should prepare in conjunction with the City staff an eligibility lottery system and a developer's bid package for each project component.

5. Predevelopment Financing

The consultant has secured a California Housing Finance Agency Site Ranking for the West Berkeley Redevelopment Agency Project. High priority should be put on continued negotiations with CHFA for permanent financing for the project.

The Redevelopment Agency should apply for a \$50,000 pre-development loan from the State Office of Housing and Community Development to absorb soft costs in connection with housing development.

We recommend an Eighth Year CDBG budget allocation of \$200,000 to fund Agency staff, seed money requirements and infrastructure improvements on West Berkeley Redevelopment Project sites.

PROPOSED IMPLEMENTATION SCHEDULE

Redevelopment Agency	•	•	•	•
Boards & Commissions	•	•	•	•
Proj. Area Committee	•	•	•	•

APPENDIX

Table 1. Housing Needs Summary for Census Tracts 4221 and 4232

Table 2. Schedule of Income Eligibility for Housing Assistance

Table 3. Section 8 Fair Market Rents for Berkeley

Map 1. Map Showing Census Tracts 4221 and 4232

Map 2. Map Showing Location of Neighborhood Amenities

Map 3. Map of Project Site Showing Proposed Densities
of Development

TABLE 1

Housing Needs Summary

18

Households in West Berkeley Deemed Eligible
for Housing Assistance - 1980

Number of Persons per Household	Income Eligibility Class				
	Very Low Income	Low Income	Moderate Income	Market Rate Income	All Income Classes
1 person					
Owners	22	11	16	17	66
Renters	244	206	101	28	579
2 persons					
Owners	55	27	40	65	187
Renters	236	200	98	27	561
3 persons					
Owners	62	31	46	61	200
Renters	111	94	46	13	264
4 persons					
Owners	47	24	34	55	160
Renters	74	62	31	-	175
5 persons					
Owners	25	12	18	39	94
Renters	37	31	15	4	87
6 persons or more					
Owners	37	19	27	37	120
Renters	37	31	14	4	86
Totals					
Owners	248	124	182	273	827
Renters	739	625	305	84	1,753
Grand Total	987	749	487	357	2,580

Fully 2,223 households in West Berkeley (Census Tracts 4221 and 4232) qualify for housing assistance under current definitions of housing need and eligibility. This figure represents 86% of all households in West Berkeley, approximately 65% of which are family households.

TABLE 2

Schedule of Income Eligibility for Alameda County and Associated Affordable
Housing Costs (1980)

Number of Persons per H/H	County Base Median	Moderate Income	Lower Income	Very Low Income
		120% - 80% Median	<80% - ≥50% Median	<50% Median
1 (1 bedroom)	\$16,400	\$19,680 to \$13,120 (\$410 - \$273)*	\$12,966 to \$8,200 (\$270 - \$171)*	\$8,036 (\$167)*
2 (2 bedrooms)	\$18,700	\$22,440 to \$14,960 (\$468 - \$312)*	\$14,960 to \$9,350 (\$312 - \$195)	\$9,163 (\$191)
3 (2 bedrooms)	\$21,050	\$25,260 to \$16,840 (\$438 - \$351)*	\$16,630 to \$10,525 (\$346 - \$219)*	\$10,314 (\$215)*
4 (3 bedrooms)	\$23,400	\$28,080 to \$18,720 (\$585 - \$390)*	\$18,486 to \$11,700 (\$385 - \$244)*	\$11,466 (\$239)*
5 (3 bedrooms)	\$24,850	\$29,820 to \$19,880 (\$621 - \$414)*	\$19,632 to \$12,425 (\$402 - \$259)*	\$12,176 (\$254)*
6 (4 bedrooms)	\$26,350	\$31,620 to \$21,080 (\$649 - \$439)*	\$20,816 to \$13,175 (\$434 - \$274)*	\$12,911 (\$270)*
7	\$27,800	\$33,360 to \$22,240 (\$695 - \$463)*	\$21,962 to \$13,900 (\$458 - \$290)*	\$13,622 (\$284)*
8+	\$29,250	\$35,100 to \$23,400 (\$731 - \$488)*	\$23,108 to \$14,625 (\$481 - \$305)*	\$14,332 (\$298)*

* Affordable housing costs

TABLE 3

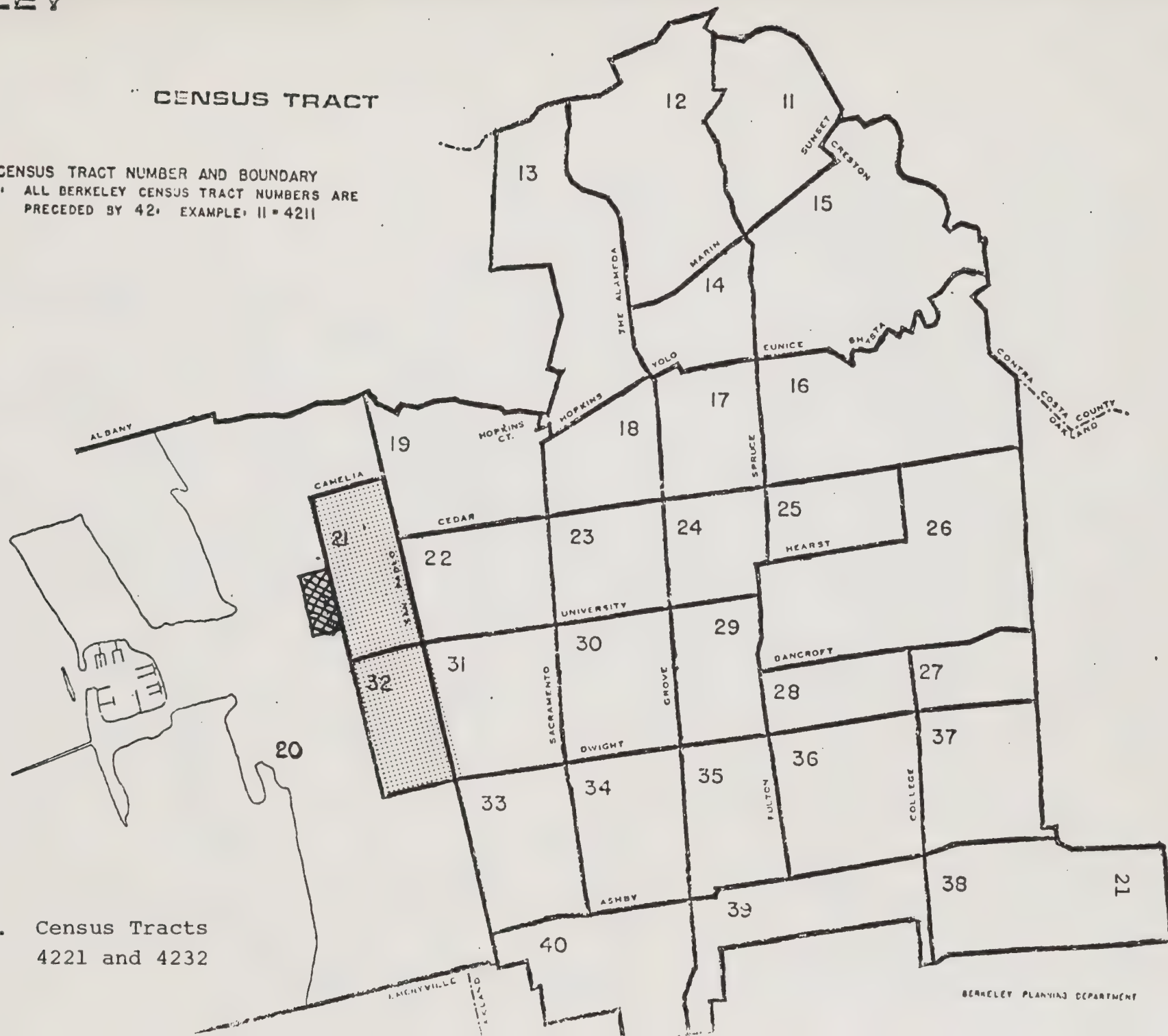
Section 8 Fair Market Rents for the General Housing Market Area
Encompassing Berkeley*

Structure Type	Number of Bedrooms in Units				
	Studio	1	2	3	4+
<u>New Construction (Effective August 29, 1980)</u>					
Detached	--	--	\$1217	\$1358	\$1438
Semi-detached	--	\$819	\$ 978	\$1130	\$1216
Walk-up	\$461	\$534	\$ 697	\$ 849	\$ 933
Elevator (2-4 stories)	\$512	\$612	\$ 782	\$ 961	\$1104
Elevator (5+ stories)	\$645	\$748	\$ 946	\$1112	\$1283
<i>Source: Occupancy Loan Management Branch; Department of Housing and Urban Development - San Francisco</i>					
<u>Substantial Rehabilitation of Existing Structures (Effective March 29, 1981)</u>					
	\$285	\$347	\$ 409	\$ 540	\$ 590

* Oakland; Alameda; San Francisco; Santa Clara; Contra Costa; Marin;
San Mateo

CENSUS TRACT

NOTE: ALL BERKELEY CENSUS TRACT NUMBERS ARE PRECEDED BY 42. EXAMPLE: 11 = 4211



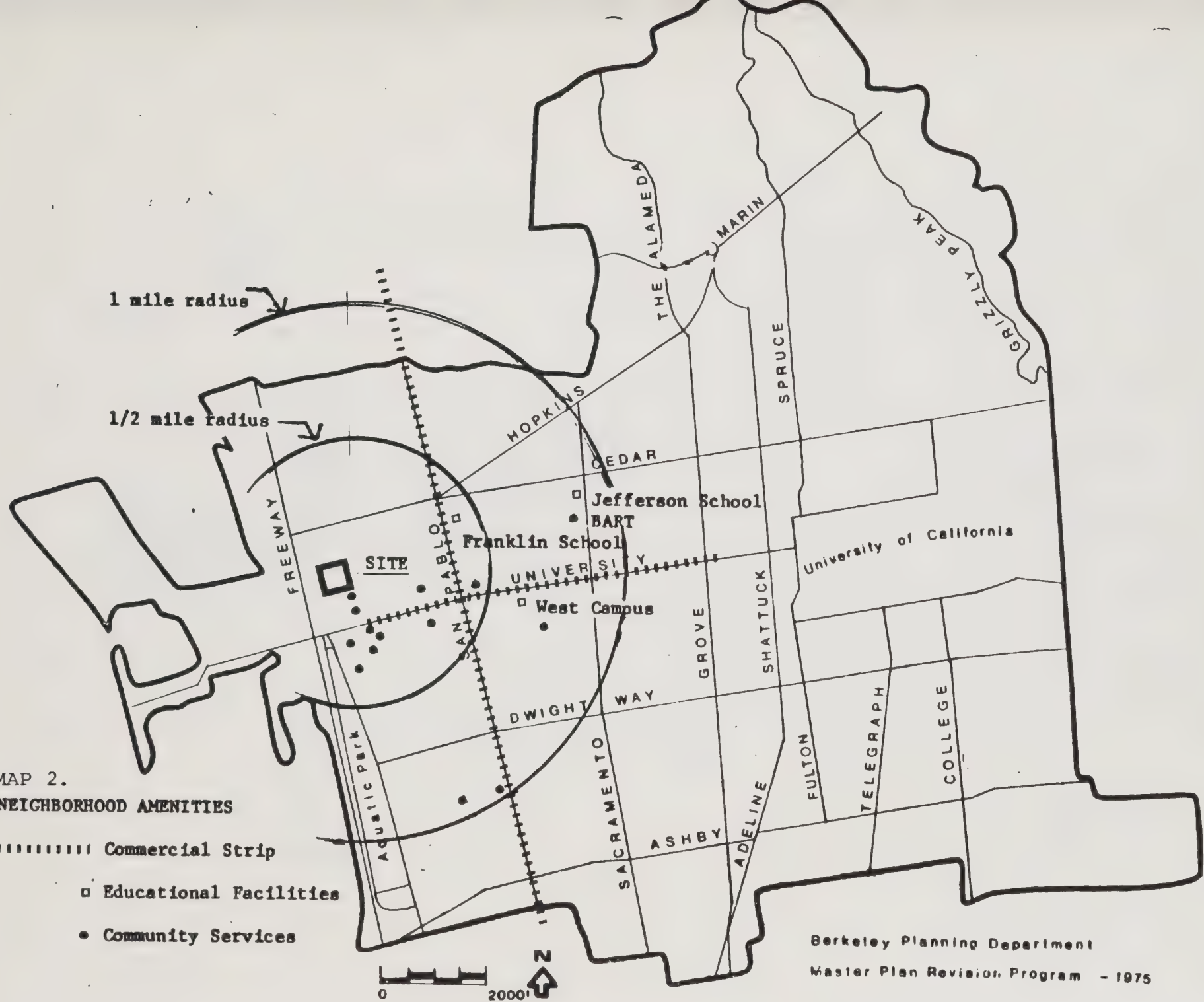
MAP 1. Census Tracts
4221 and 4232

MAP 2.
NEIGHBORHOOD AMENITIES

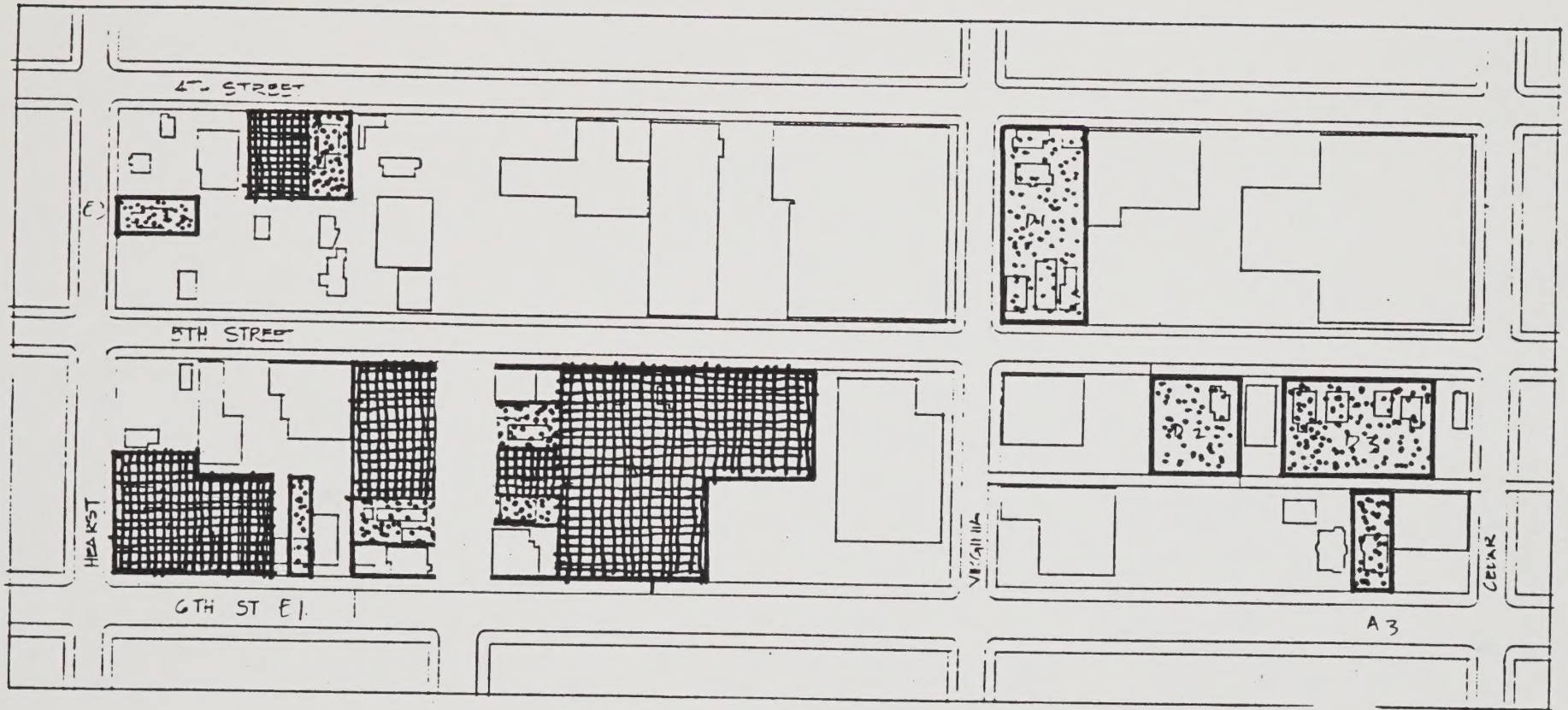
||||| Commercial Strip

□ Educational Facilities

• Community Services

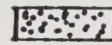


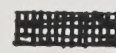
Berkeley Planning Department
Master Plan Revision Program - 1975

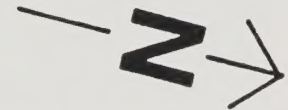


MAP 3.

DENSITY OF REDEVELOPMENT AGENCY OWNED SITES
UNDER THE PROPOSED DEVELOPMENT STRATEGY

 8 Units per acre

 26 Units per acre



U.C. BERKELEY LIBRARIES



C124880383

